WESTERN CROSSROADS RAILWAY MUSEUM

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SHAW-WALKER
#8206/R

NEW YORK CENTRAL SYSTEM

New York, January 31, 1963

Mr. J. C. Kenefick:

On January 15, I attended a meeting in Chicago at the request of Mr. A. J. Gellman, Director of Planning of the North American Car Corporation, in connection with equipment to be designed and supplied for unit coal trains. North American is working with Peabody Coal and Commonwealth Edison on the State Line train and with other utilities and coal companies in connection with other moves.

The meeting was also attended by:

R. J. Landregan, Asst. Chief Mech. Officer	- North American
C. J. Koranda, Sales Engineer	- North American
W. T. Anthony	- Bethlehem Steel
R. J. Cripe	- Reynolds Aluminum

I emphasized and it was understood by all that the opinions and answers which I gave were my own and that I did not speak for the New York Central, its management or any of its departments or department heads.

In answer to North American's questions as to what things to consider from an operating viewpoint in designing the train, the following were my main points:

1. A 10,000 net ton train is probably as small a train as most roads would want to handle because bulk commodities already carry a low rate per ton and because the railroads wish to generate as high a gross ton mile per train hour figure as possible. Yet a train of the weight proposed in the Kauffeld Report becomes just too long for existing passing tracks, terminal and yard facilities and signal and traffic control systems to say nothing of its potential for blocking both highway and rail crossings in cities, towns and even in fairly open country.

2. The drawbars, knuckles, draftgear, end sills, etc. should be designed to handle the tractive effort developed by 6 to 8 locomotive units operating at one end of the train on heavy grades and curves.

a. Most mines are located in hilly country on heavily graded and curved track which may also be poorly maintained.

b. As a method of solving the problem of drawbar, draftgear and knuckle strength, it may be desirable and technically feasible to have locomotive units under single control either cut into the train or at both ends of the train but I objected to the remote control concept because:

(1.) The labor organizations are going to object to this method of operation and the regulatory agencies, perhaps using full crew laws as their basis, may also object. Resolving these problems, should they arise, may take some time.

(2.) Having remotely controlled units cut into the train has disadvantages in servicing, fueling, sanding and performing minor repairs since the work must be taken to the units rather than the units brought to the work. Either new types of facilities must be designed and built so that the train will not have to be cut, or fuel-sand-water trucks will have to be purchased and manned and access roads will have to be built at servicing points.

(3.) When a remote controlled unit, cut into the train, is bad ordered or due for inspection, it will not only have to be switched out of the train but another unit, equipped for remote control, will have to be available and switched into the consist.

(4.) Even with the remote controlled units located at the ends of the train, we would still have to have remote control equipped units available to replace ones bad ordered or due for inspection.

Therefore, equipment should be built which can take the strain of having all the power units at one end so that labor negotiations or regulatory findings need not be completed before such trains can be run. The train should be designed to use conventional motive power, conventionally placed in the consist so that any road freight or general purpose locomotive in the motive power pool of a railroad can be used, so that few, if any, special facilities or equipment need be built or used to fuel, water and sand the power, and so that the train need not be switched when power must be cut out and replaced for any reason.

3. Brakes should be of a quick release type so that the train will not have to be stopped and the air pumped off every time the train slows down for a restrictive signal indication, to comply with a speed restriction, to take siding, etc. The AC brake is some improvement in this connection and perhaps other improvements are in the development stage.

This observation assumes that air brakes will be used on the train and that a 10,000 net ton train, regardless of the configuration of its equipment, will be of such length as to require stopping and pumping off if conventional AB brakes were used. The use of air brakes is desirable so that conventional pool motive power can be used.

Electro-pneumatic brakes might be used to achieve an almost simultaneous setup or release on all cars. If so, then a device must be developed and built into at least the first car at each end of the train (assuming the train will be powered from only one end at a time) which will convert a brake application or release made with conventional locomotive air brake equipment and controls into an electrical impulse to actuate or release the brakes on the cars. Such a device might be an air powered electrical contactor activated by changes in the locomotive's train line brake pipe pressure when the automatic brake on the engine is used. The electrical power needed to control the train's electric brake valves, perhaps similar to those used on existing electro-pneumatic brake systems, could be obtained through a conventional jumper from the locomotive to a control device on the first car.

If such a system could be developed, we could still power the train from the existing motive power pool and enjoy the advantages of electro-pneumatic braking without having to have specially modified locomotives available to replace cut out units.

4. The train should be as short as possible consistant with permissible wheel and axle loadings, weight restrictions on track and bridges, clearance restrictions and center of gravity considerations. In this way, some of the existing passing tracks could probably be used; the cost of lengthening others would be less; the train would better fit existing terminal facilities without blocking yard entrances, exits or leads if it were necessary to stop it in some terminals; it would block as few road and railroad grade crossings as possible when it stops; it would occupy crossovers and foul other tracks for the least amount of time during crossover movements or entering and leaving passing tracks; and keep the train's brake pipe length as short as possible.

5. The fewer the number of cars used the better from the standpoint of reducing the number of air connections throughout the train.

6. Articulated cars or units, common trucks between sets of cars or units, or permanently coupled cars create maintenance problems, particularly with wheel changes or other types of truck work, and in derailments they would make rerailing more difficult and time consuming when the derailment involves the permanently coupled units or the common wheels or truck. It should be remembered that these trains will operate over relatively light and poorly maintained branch line and mine trackage.

   Furthermore, when it becomes necessary to cut out one unit of a permanently coupled or articulated or common truck car, all common or coupled units will have to be cut out - - reducing the capacity of the train by more than would be necessary if each car is an independent unit. For these reasons I do not like the concept of permanently coupled, articulated, or common wheel cars.

7. So long as wheel loadings, axle loadings and the total weight of the cars within a given linear distance do not exceed the bridge and track restrictions to be found on the majority of branch lines where coal is likely to be loaded, I see no objection to the use of four wheeled cars. If by using four wheeled cars instead of eight or twelve wheeled cars, we end up with fewer wheels under the train, then starting, rolling and curve resistance should be less for a given train weight and length. However, braking forces would be concentrated on fewer wheels and this may affect the braking distance needed to stop or slow the train.

8. The couplers between cars should be compatible with existing couplers as to height and configuration so that when it is necessary to switch cars in and out of the train, they can be handled by conventional yard or road engines without the need for idlers, adaptors, or other special equipment.

9. The designers of the equipment would have to figure out how much, if any, slack is necessary to enable us to start the train but some slack is needed to enable us to uncouple the cars when it becomes necessary to switch out bad orders, cut road crossings, or get at derailed cars within the train.

J. E. Timberlake

JET:ec

cc: Mr. L. M. Riley

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RAILROADS and the Transportation of COAL

"A Market in Hand"

RSMA

June 7-8, 1973

The Drake

CHICAGO, ILLINOIS

RAILWAY SYSTEMS AND MANAGEMENT ASSOCIATION

181 EAST LAKE SHORE DRIVE • CHICAGO, ILLINOIS 60611 • TEL. 312—943-5542

Please register the following for the RSMA event shown below

NAME_____

POSITION_____

COMPANY_____

STREET_____

CITY_____ STATE_____ ZIP CODE_____

RSMA SEMINAR No. _____ DATES_____

TITLE_____

NOTE: The difference between member and non-member registration fee may be applied towards RSMA membership fee, *provided*, application for RSMA membership is made within 30 days following meeting.

DRAKE HOTEL ROOM REQUEST

ARRIVAL_____ TIME_____

DEPART_____ TIME_____

RESERVE:____ SINGLE @ **$24 - $27 - $**
(circle)

____ TWIN @ **$32 - $35 - $**
(circle)

REGISTRATION FEE

RSMA MEMBER . . . . . **$75.**

NON-MEMBER . . . . . **$90.**

REGISTRATION INFORMATION

REGISTRATION: Attendance is open to non-members as well as members of RSMA. Registrations must be made prior to the meeting date. To register, fill out and return the blank, or you may wire or phone the RSMA office.

REGISTRATION FEES: The full fee is payable in advance and includes the cost of all luncheons, notebook, and session materials.

HOTEL ACCOMMODATIONS: The Drake Hotel has established special rates for RSMA seminar registrants. Hotel reservations should be made directly with the hotel of your choice, or you may use the special space provided on the registration blank and RSMA will make your hotel reservations for you at the Drake Hotel.

PLEASE NOTE: RSMA occasionally uses outside mailing lists which cannot be cross-checked against its files. Therefore, you may receive a duplicate of this announcement. If so, we hope you will pass it along to an interested associate.

MONEY-SAVING COMBINATION

Sept. 12-13 Railroad Electrification

(Open Date) Management of Transportation Safety

(Open Date) Railroad Market Planning

(Open Date) Railroad Research

OUR POLICY

If, after attending the complete meeting, you feel that you personally did not get at least one new idea, RSMA will gladly refund your full registration fee.

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RAILROADS AND THE TRANSPORTATION OF COAL

RSMA No. 602 **June 7-8, 1973** **Drake Hotel, Chicago**

The energy predicament has created a climate for the resurgence of coal as a primary fuel to meet this nation's energy needs. It is the only fuel available to fill the gap between the demand for energy, and the supply of natural gas, oil, and nuclear power. Since the total coal resource base is nearly 800 billion tons—enough to last 1,500 years at the current rate of consumption—coal is one of the greatest potential markets left to the rail industry. If for no other reason, the United States balance-of-payments will dictate its use.

This meeting has been designed to acquaint railroad management with the economics, market, and technology of coal transportation; and the competition for coal transport.

Program

CHAIRMAN: Mr. J. E. Timberlake
Director Unit Train Operations
Denver and Rio Grande Western Railroad

Thursday, June 7

8:30 Registration

10:00 "THE IMPORTANCE OF COAL IN THE CONTEXT OF THE NATION'S OVERALL ECONOMIC AND ENERGY REQUIREMENTS"

Mr. George M. Bennsky
Acting Director
Office of Fuels and Energy
United States Department of State

10:45 "RAILROADS – THE LOGISTICAL ARM OF THE COAL INDUSTRY"

Mr. Carl E. Bagge
President
National Coal Association

11:30 "THE ECONOMICS OF COAL PRODUCTION"

Mr. W. W. Wilson
Vice President
Continental Illinois National
Bank and Trust Company

12:15 Luncheon

"MODERN RAILROADS MAGAZINE GOLDEN FREIGHT CAR AWARD FOR EXCELLENCE IN MARKETING"

2:00 "REGIONAL DIFFERENCES IN THE COAL TRANSPORTATION MARKET"

Eastern: Mr. Robert B. Wooters
Director of Marketing
Bessemer and Lake Erie Railroad

Central: Mr. Jerry E. Golbrecht
Vice President-Coal Traffic
Louisville and Nashville Railroad

Western: Mr. George R. Powe
AVP Commodity Marketing
Marketing Dept.-Energy, Metallics & Chemicals
Burlington Northern, Inc.

3:30 Coffee Break

3:45 "THE MARKETS FOR COAL"

Primary: Mr. L. T. Forbes
Vice President Coal Traffic
Norfolk and Western Railway

Secondary: Mr. Neal P. Cochran
Chief-Research & Development Division
Office of Coal Research
Department of the Interior

5:00 Recess for the Day

5:30 to 7:00 "GOLDEN FREIGHT CAR" Award Reception

Friday, June 8

8:30 "THE ECONOMICS OF RAIL TRANSPORT OF COAL"

"Unit Train Ownership and Economics in the Expansion of Coal Markets"

Mr. Robert N. Morris
Market Manager-Fuels
Southern Railway System

"Role of Coal Revenues and Costs in Reducing Variations in the rail profit pattern."

Mr. Allan R. Boyce
Director of Cost Control
Marketing Dept.-Energy, Metallics & Chemicals
Burlington Northern, Inc.

"The Total System and the Role of the Unit Train."

Mr. John D. Sward
Transportation Systems Analyst
Physical Distribution Department
Pullman Incorporated

Mr. T. D. Peterson
Manager of Energy Systems
F. C. Torkelson, Subsidiary of
Pullman Incorporated

11:00 "COMPETITION FOR RAIL TRANSPORT OF COAL"

"Water Competition"

Mr. Louis H. Meece
Vice President
American Commercial Barge Line

"Pipeline Competition"

Dr. Donald A. Craw
General Manager
ShelPac Research and Development, Ltd.

12:00 Luncheon

1:00 "COMPETITION OF OTHER FUELS"

Mr. James T. Jensen
Senior Staff Member
Arthur D. Little, Inc.

1:45 "APPLICATION OF THE COMPUTER TO COAL PRODUCTION"

Mr. L. M. Kaas
Industry Marketing Representative
IBM Corporation

2:15 "NEW TECHNOLOGICAL DEVELOPMENTS AFFECTING THE TRANSPORTATION OF COAL"

Mr. Henry E. Keniston
Vice President
Ortner Freight Car Company

Mr. Kirkendall Carlton
Bechtel Corporation

3:15 Adjourn Meeting

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RAILROADS AND THE TRANSPORTATION OF COAL
June 7-8, 1973

Preliminary Registration List

F. P. Adler, Vice President, Eng.
Pullman Transport Leasing Company
723 Franklin Square - Room 506
Michigan City, Indiana 46360

Robert E. Ahlf, Manager-Coal
Engineering & Development
Illinois Central Gulf Railroad
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Chicago, Illinois 60605

Herman A. Aquino, Car Design Supv.
Pullman-Standard
1414 Field Street
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Robert Barker, Coal Sales Manager
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Pittsburgh, Pennsylvania 15219

Peter Bedford, Project Engineer
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and Ore Services
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and General Manager
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Why you should be a member of the Railway Systems and Management Association.

The RSMA may not be the ultimate answer to the railroads' problems, but it's a start.

For over twenty years RSMA has been the forum for free and open expression of ideas and opinions on railroads and railroad management. It has provided the most diversified and significant railroad-oriented education program carried on by any private organization in the world.

As a member, you can become a part of this effort. There's still a tremendous amount of work to be done, and to carry on this struggle, we need your additional support.

Your membership in the RSMA carries with it many tangible benefits. As a member you receive:

..... The RAILWAY MANAGEMENT REVIEW, a unique quarterly publication containing a complete book-length report on an area of vital concern to railroad management. In addition, each issue also contains several unrelated articles selected for their emphasis upon analytical and systematic approaches to railroad management problems. The annual subscritpion price for the Review is $26.00. RSMA members receive it free.

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RSMA / 181 EAST LAKE SHORE DRIVE / CHICAGO, ILLINOIS 60611 / Area 312—943-5542

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..... A free registration for any one-day meeting held by RSMA during the membership year - or, if you wish, you may apply this credit to any two or three-day meeting which RSMA may hold during the membership year. The value of this benefit is $30.00.

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..... A discount in the registration fee to all RSMA meetings. This is at least $15.00 less than the non-member rates for each meeting you attend.

Thus, on the basis of the pecuniary aspects alone, your investment in an RSMA membership offers a potential return of over 100%.

RSMA needs your help; not just your money, but your participation as well. This is where the intangible benefits of being a member are realized. You will be part of an organization which dedicates itself actively to helping the Railroad Industry help itself. You will have a forum for your ideas --- and maybe, just maybe --- your idea will influence the course of contemporary railroad history.

So, please take a moment to complete the attached "Application for Membership" and give it to one of the girls at the RSMA registration desk -- or you may mail it to me. We will bill you for the membership fee (less $15.00 if you registered for this meeting as a non-member of RSMA.

JOIN RSMA TODAY! It is one of the best investments you can make towards helping to insure the vitality of a free Railroad Industry.

Sincerely,

GRANT C. VIETSCH
President

RAILWAY SYSTEMS AND MANAGEMENT ASSOCIATION
181 EAST LAKE SHORE DRIVE • CHICAGO, ILLINOIS 60611 • 943-5542

APPLICATION FOR MEMBERSHIP

(Please print or type)

Name _____

Title _____

Company Name _____ Telephone _____

Address _____

City _____ State _____ Zip Code _____

Present Duties and Responsibilities: _____

_____

_____

Previous Employers: _____

_____

_____

Educational Background *(schools attended, degrees, major subjects, etc.)* _____

_____

_____

Membership Category *(See other side for qualifications)*

☐ MEMBER ($40.00) ☐ ASSOCIATE ($70.00)

I hereby make application for membership in the RAILWAY SYSTEMS and MANAGEMENT ASSOCIATION. I will abide by its Constitution; support its objectives, and pay the dues established for my class of membership.

Date _____ Signature _____

☐ Please send invoice ☐ Check attached $ _____

☐ Credit difference between member and non-member registration fee towards membership dues for attendance at _____

NOTE: Credit can only be applied if Application for Membership is received within 30 days following the event for which credit is requested.

RAILWAY SYSTEMS AND MANAGEMENT ASSOCIATION

CONSTITUTION

ARTICLE I Name

The name of this non-profit organization shall be the Railway Systems and Management Association, generally referred to as RSMA.

ARTICLE II Purpose

The purpose of RSMA shall be the advancement and diffusion of transportation sciences and sciences related to railroad transportation and other transport modes. It is part of the purpose of RSMA to promote the free interchange of information concerning innovations, developments, and improved techniques in all forms of transportation and to cooperate with organizations or agencies on matters pertaining to modal and intermodal operations. RSMA shall seek to promote the diffusion of knowledge concerning advancements in transportation by all appropriate means, including the holding of meetings and seminars, and the publication of papers designed to inform the membership and the general public concerning significant developments in the transport field.

ARTICLE III Membership

1. Membership in RSMA shall be on an individual basis to any person interested in and capable of forwarding the purposes of the organization. The election of a member shall require the affirmative vote of the Governing Board.

2. Regular Membership. Regular voting membership in RSMA shall be limited to employees of transportation companies; companies owned, operated or otherwise controlled by transportation companies; employees of government or trade press; and persons employed in academic pursuits.

3. Associate Membership. Associate voting membership in RSMA shall be available to any individuals who have a special interest in transportation, but who do not qualify for Regular Membership.

4. Application for membership. All applicants for membership shall complete and sign the form of application provided by RSMA, and submit the application to the principal office of RSMA.

5. Life and Honorary Membership may be conferred upon members of RSMA and others at such time and under such terms as the Governing Board shall determine.

6. Each member of RSMA will contribute annual dues as established by the Governing Board.

ARTICLE IV Governing Board

1. The business and activities of RSMA shall be determined and managed by its board of directors which shall be called collectively the Governing Board. The Governing Board shall be comprised of a total number of directors, not less than fifteen (15) nor more than thirty-five (35). Each director shall have one vote on the Governing Board.

2. Directors shall be elected for a term of one year by the membership. In case any elected director shall die, resign, or his position becomes otherwise vacant, or if there is a vacancy on the Governing Board during the term of such Board, the Governing Board shall be entitled to fill such vacancy.

3. With the consent of the Governing Board, a director may appoint a substitute to represent him at a specific meeting of the Governing Board.

4. A simple majority of the members of the Governing Board shall constitute a quorum for the transaction of business.

ARTICLE V Officers

1. The officers of RSMA shall be the President, Chairman and Vice Chairman of the Governing Board, the Secretary-Treasurer, and such other officers as may be provided for in the By-Laws or by resolution of the Governing Board. Officers serving without compensation shall be elected annually by the Governing Board. Compensated officers shall serve at the pleasure of the Board.

2. Compensated officers may particapate in Governing Board meetings and deliberations, but may not vote.

ARTICLE VI Amendments to Constitution

1. An amendment to the Constitution must be proposed in writing to the Governing Board. If then it receives the approval of the Board by a two-thirds majority vote of the membership of the Board present and voting, the proposed amendment shall be submitted to the membership and shall be adopted upon favorable vote of not less than two-thirds of the membership voting.

ARTICLE VII Interpretations of the Constitution

The Governing Board shall be empowered to interpret the Constitution and By-Laws by majority vote of a quorum at a meeting of the Governing Board.

Revised: March 1973

REGIONAL DIFFERENCES

IN COAL TRANSPORTATION MARKETS - WESTERN

Prepared for the Railway Systems Management Association

Chicago, Illinois

June 7 and 8, 1973

By
George R. Powe
Assistant Vice President, Commodity Marketing
Burlington Northern Inc.

REGIONAL DIFFERENCES

IN COAL TRANSPORTATION MARKETS - WESTERN

As we move westward we find some radical changes in coal transportation. These changes are caused by the very fundamental differences in the coal itself and by the remote location of the coal from centers of population. The West has coal of all ranks from lignite to anthracite, but the anthracite is insignificant and the bituminous coal is similar in many respects to that of other regions. Some of the bituminous coal can be recovered by surface mining but the vast preponderance of the reserves will have to be mined underground.

Although the coal deposits of the West are extremely variable in rank and quality, they have one thing in common. Western coal is low in sulfur. That fact alone caused utilities in the East, Middlewest and South to move westward in their search for coal to meet environmental standards. Now another factor must be considered. Suddenly, in various areas of the United States, we find a shortage of natural gas and oil for industrial uses and for power generation. The western sub-bituminous coal deposits and the lignite reserves are enormous and readily accessible for mining by surface mining methods. They can provide the coal to fill these needs for a very long time and at costs that will be competitive in the future markets. This is not to say that Wyoming

REGIONAL DIFFERENCES

IN COAL TRANSPORTATION MARKETS - WESTERN

coal can compete in Texas with Texas gas at 20¢ per million BTU's but no longer is Texas gas being sold at that price and, in fact, gas is not generally available for new plants at any price in the heart of the great gas producing areas of Texas and Louisiana.

We can illustrate the type of coal available in the West by describing the Gillette coal field in Northeastern Wyoming. This field extends for about a hundred miles in a north-south direction near the town of Gillette and the part that can be surface mined is often more than a mile wide. The coal is sub-bituminous having a heating value of 8,000 to 8,900 BTU's, about 4% ash and less than 0.4% sulfur. The seam generally ranges from 70 to more than 100 feet in thickness, and it has no partings to interfere with mining the full seam. Thus the field will produce from about 100,000 tons to more than 175,000 tons of coal per acre. The United States and the state of Wyoming own the vast majority of the coal reserves, and the coal is leased by the operators. These include many of the largest coal mining companies in the nation and many of the large oil companies. Total reserves of coal to be recovered by surface mining methods is in excess of 20 billion tons. Several individual companies have reserves of a billion tons or more.

The only new mine in the Gillette field is the Belle Ayr mine of Amax Coal Company. This mine was opened to supply coal to the Comanche plant of Public Service Company of Colorado at Pueblo and while the mine was being developed, Amax has announced several other contracts with utilities to use Belle Ayr coal. A railroad spur was constructed approximately 18 miles from Burlington Northern's main line east of Wyodak, Wyoming to the mine site. A loop track was provided at the mine and two silos having aggregate capacity of 25,000 tons of crushed coal were installed. The railroad loop track runs through the silos and the coal is loaded directly to 100-ton cars. By this method a 10,000 ton train is loaded in motion in less than two hours.

The coal seam at Belle Ayr is approximately 70 feet thick. The mine management anticipates increasing the capacity of Belle Ayr to 12 million tons annually and thinks that it may be possible to reach 15 million tons. This will be a very large mine when we remember that in 1972 the largest producing mine was the Navajo of Utah International Inc. in the Four Corners area of New Mexico with a production of approximately 6.7 million tons. That same mine will reach higher production rates in the future but as most of you know, it feeds a mine mouth plant and transportation is not a factor. To show you what must be provided in the way of

transportation at Belle Ayr, we will have to supply 30 unit trains per week, each containing 10,000 tons in order to deliver the 15 million tons of coal annually. Thus four trains per day must be handled on five days per week and five trains per day on the remaining two days. Furthermore, these trains will be delivered to varying destinations with perhaps as many as six power plants in Colorado, Kansas and Texas being served out of this mine. This seems like a very large amount of coal to mine and deliver and yet Belle Ayr has reserves to last for some thirty years at the anticipated rate of production.

One of the customers for the Belle Ayr mine is Southwestern Electric Power Company which is building a new plant at Cason, Texas designed for Gillette coal. Announcement of this plant and its fuel source drew immediate attention from other Texas utilities, and since that time the oil and gas supply situation has grown steadily worse. Already Southwestern Public Service has announced a new plant at Amarillo to receive Gillette coal from a new mine to be opened by Atlantic Richfield Company.

The coal for the Cason, Texas plant will be delivered by unit train over the Burlington Northern to Kansas City thence Kansas City Southern to Cason. The utility expects to own the cars, and the railroads will buy and own the locomotives and

caboose and on the same basis as revenues are divided. Trains will consist of 110 cars running on a round trip schedule of seven days. The distance from Belle Ayr to Cason is 1,470 miles making this the longest unit train service yet announced in this country. This train service also illustrates the type of cooperation necessary between railroads to develop the lowest possible cost for delivering of coal over such long distances. No longer can we afford to yard trains while we change power and cabooses at interchange points. The trains must move, and this Cason train will do just that, stopping only for required inspecting and servicing.

As stated before, I have used the Belle Ayr mine to illustrate the capacity and potential of new mines in the Gillette field. Many other companies have been actively seeking markets for Gillette coal, but only Atlantic Richfield has made public announcement of opening a new mine to supply utility coal. Others are expected soon.

Montana has a series of coal fields containing vast quantities of sub-bituminous coal and lignite which can be recovered by surface mining methods. The current estimates of such coal is more than 21 billion as stated by the Montana Bureau of Mines and Geology.

The oldest surface mine in Montana is the Rosebud mine at Colstrip opened by the Northern Pacific Railway Company in 1923 to provide locomotive coal. When dieselization was completed, the mine was closed in 1958 having produced about 42 million tons of coal from a seam 25 feet thick. This coal averages about 8,700 BTU's, 8% ash and 0.7% sulfur. The mine was leased to the Montana Power Company and in 1968 was reopened by Western Energy, a wholly owned subsidiary of Montana Power. In 1971 this mine became the third largest producer in the United States and retained that rank in 1972 with a production of 5.5 million tons.

The mine was reactivated to provide coal for the Corette plant of Montana Power in Billings. Coal is delivered in 5,000 ton unit trains as needed. The principal customer since 1970 has been Commonwealth Edison at the Havana river dock, the state line plant at Hammond, Indiana and the Joliet station. All of these movements have been by unit trains of about 10,000 net tons. All require interchange with a connecting carrier to the destinations.

Western Energy is expanding the Colstrip operations to provide coal for the Becker plant of Northern States Power about 40 miles northwest of the Twin Cities. The plant is under construction and due to come on line in 1976. The coal will be delivered

by Burlington Northern in unit trains on a single line haul. Western Energy will also supply the coal for the Columbia Station at Wisconsin Power and Light at Portage, Wisconsin. This will be a two-line haul with Burlington Northern originating the unit trains and the Milwaukee delivering them. Interchange will be alternately at Miles City, Montana and St. Paul, Minnesota so that mileage on each line is nearly equal. The cars will be owned by the utility and the motive power and cabooses by the railroads in the same proportion as their respective share of the revenues from the train operation.

The newest mine in Montana is that of the Decker Coal Company at Decker, a company jointly owned by Peter Kiewit Sons Inc. and Pacific Power and Light Company. This mine is very well designed for high production. A railroad spur extends northward from the main line of the Burlington Northern at Arno, Wyoming, a distance of about 19 miles to the mine. A loop track is provided, and the train is loaded from a load out bin fed by belts from two storage silos of 27,000 ton capacity. The train is loaded in motion under pace-setter control of about 5,000 tons per hour. Coal is being delivered to the Havana dock of Commonwealth Edison at the rate of 4.5 million tons annually. Cycle time for the trains is about five days for a round trip distance of nearly 2,400 miles.

Decker Coal has about 9,600 BTU's, 22% moisture, 4% ash and less than 0.4% sulfur. The seam is 52 feet thick and overburden is moderate. The first shipment left the mine on August 22, 1972 and already the mine is a very impressive operation. Its ultimate capacity is probably about 12 million tons per year and reserves are ample to sustain that rate of production for more than 30 years.

Another new mine is being opened on Sarpy Creek about 25 miles west of Colstrip by Westmoreland Resources. A 38 mile spur is being constructed southward from the Burlington Northern main line near Hysham, Montana to the mine site. The coal here is owned by the Crow Indians and will be mined under a tribal lease.

Westmoreland has a contract to mine about 4 million tons of coal annually. It will be delivered by Burlington Northern unit train to a rail to barge transfer facility to be built by the St. Paul Port Authority. This facility will include rapid unloading for the unit trains and coal storage so that barge and rail operations are independent of each other. Coal will be stored during the winter months when the Mississippi River is closed to navigation. Coal will be loaded from storage by bucket-wheel reclaimers. The system is capable of handling much larger tonnages than now

under contract. The plants to receive this coal are all river oriented and none has a rail dump. This is why the transfer facility is needed. The utilities to receive coal from this terminal are Northern States Power for Black Dog and Allan King plants, Dairyland Cooperative plants, Wisconsin Power and Light Cassville plant, and Interstate Power at Dubuque. The terminal is also designed to reload coal to rail cars for delivery to smaller industrial customers in Minnesota and Wisconsin who cannot receive coal in unit train quantities. The terminal is scheduled for operation by mid 1975.

Peabody Coal Company operates the Big Sky Mine at Colstrip. This mine was designed to supply coal for Minnesota Power and Light Company at Cohasset, Minnesota. Coal has been moving in unit trains to Cohasset since 1969 at the rate of about 1.5 million tons annually. Part of the coal is burned at the Cohasset station and part is reloaded and delivered to the Aurora and Duluth stations in regular train service. The new 350 megawatt unit at Cohasset is due on line this month and coal shipments will increase to about 2.5 million tons annually. A fast loading facility is being installed at the mine now and will be operational this fall. We expect to deliver the required tonnage with 3 unit trains of about 100 cars each.

So far I have not mentioned the vast lignite deposits of western North Dakota and eastern Montana. These coals have long been mined for local and regional consumption. Most of the lignite is burned near the mines, but we do have movements in excess of 300 miles. Knife River Coal Mining Company, North American Coal, Consolidation Coal and Baukol-Noonan all have excellent, low-cost surface mines. This lignite varies from about 6,200 to 7,500 BTU's, generally has about 7% ash, less than 0.7% sulfur and from 35% to 40% moisture. It is an excellent, low-cost fuel for power plants designed to burn it.

The 400 megawatt Big Stone station being built by Otter Tail Power, Montana Dakota Utilities and Northwestern Public Service in northeastern South Dakota will be fueled with lignite delivered by the Milwaukee Road in unit trains. The cars were designed by Bechtel and feature hinged, sectional covers which are lifted automatically to permit rapid loading. Dumping will be by rotary dump and the hinged covers will open by gravity. This is an interesting concept and will be watched with great interest by the rail industry.

Several railroads are sharing in the transportation of western coal. The low sulfur bituminous coal of southern Wyoming and Colorado is going to move to market. Both Union Pacific and Denver and Rio Grande have made outstanding

contributions to the long distance transportation of this coal. The Hanna area of Wyoming is developing rapidly and the Union Pacific is largely responsible. The coal on the Santa Fe in New Mexico is also going to be developed. Within 5 years we will see substantial developments in all of these areas.

The emergence of western coal has been rapid, and contracts already signed by utility companies will require more new mines and expansion of existing ones. The coal mining industry is familiar with coal mines of two to five million tons of annual capacity. Now we are going to see mines producing 12 to 15 million tons per year and the ultimate size may be larger as the potential of mines having 100 feet of coal is recognized. The railroads must be prepared to transport these large quantities of coal. Fortunately, unit train technology is well advanced and the railroads can do the job, but they must make major investments in rolling stock and in road bed improvements. Because of the energy crunch we may be called upon to transport coal for distances of more than 2,000 miles. We actually have such trains under study now, and they will probably be running before 1980.

Thank you for listening to my remakrs. If you have questions, I will try to answer them.

THE IMPORTANCE OF COAL IN THE CONTEXT OF THE NATION'S OVERALL ECONOMIC AND ENERGY REQUIREMENTS[1/]

by

T. Reed Scollon[2/]

I. Introduction

Coal's role in the national economy and energy balance is significant despite the fact that it has been on a general downward trend for several decades. In 1972 the f.o.b. mine value of coal was approximately $4.5 billion. The coal industry employed about 150,000 workers, and nearly 300,000 additional employees in related industries and commerce were dependent on coal production. The economies of the local areas in which coal is mined are almost entirely dependent on coal. The value of coal exports in 1972 was about $1 billion--a considerable contribution to our balance of trade.

Currently coal accounts for 17.6 percent of the total energy consumption in the country. It supplies 44 percent of the fuels and energy used in electric power generation, the fastest growing energy consuming sector.

The overall energy situation is complex with many options that have economic and environmental implications for local areas and for the entire Nation. International relations are involved also.

1/ For presentation at a meeting of the Railway Systems and Management Association, Chicago, Ill., June 7-8, 1973.

2/ Chief, Division of Fossil Fuels, Office of Mineral Supply, Bureau of Mines, Department of the Interior, Washington, D. C. 20240.

Increased dependence on coal as one of the options has long-range advantages from economic, national security and balance of trade viewpoints. Coal's major disadvantage, at least for the short term, is in meeting environmental requirements. For the next decade or so, the principal alternative to added reliance on coal is the importation of increasing volumes of fuels, principally Middle East oil. The extent to which we depend on such oil will govern to a large degree our national security and balance of trade positions.

Thus, the real importance of coal today lies in its potential to prevent our Nation from becoming overly dependent on foreign sources of fuel.

Even if deterrents to the expansion of coal production were removed today, because of the time needed to develop new capacity, we could not expect to begin to offset increases in oil imports for 3 to 5 years.

As a first step toward removing some of these deterrents, the President, in his energy message of April 18, 1973:

-- urged that the highest national priority be given to expanded development and utilization of our coal resources;

-- supported a policy of extending beyond 1975 "the reasonable time" allowed by the Clean Air Act of 1970 for meeting secondary air pollution standards;

-- recommended stepping up spending for research and development in coal, with special emphasis on technology for sulfur removal, and the development of low-cost, clean-burning forms of coal.

II. Recent Trends

1. Coal

Developments of the early sixties led to considerable optimism for coal's long-range future.

Between 1960 and 1965, coal production (bituminous, sub-bituminous, lignite) increased from 416 million tons to 512 million tons; productivity increased from 12.8 to 17.5 tons per man-day; and the average f.o.b. mine value decreased from $4.69 to $4.44 per ton.

Although some lessening of exploratory and drilling activity for oil and gas was apparent at this time, it was believed that the projected expanding demand for energy could be met with little difficulty for many years from our abundant coal reserves, from nuclear power, and from moderate increases in imported oil.

But something happened on the way to the seventies that dampened much of the optimism for coal.

The sudden and unexpected ordering of substantial capacity for nuclear plants in 1966-67; the virtual freeing of restrictions on imported residual fuel oil in 1966; the implementation of restrictive air pollution regulations, particularly in the northeastern part of

the country; annual increases in miners wages of $2 to $3 per day, plus substantial increases in fringe benefits since 1968; and the enactment of strict health and safety legislation late in 1969--all contributed to reversals in trends that had developed in the early sixties.

An analysis of coal trends in the late sixties is complicated because of (a) an abnormally high demand for coal nationwide and worldwide in 1970; (b) a 6-week coal strike in 1971; and (c) lack of sufficient statistical details for 1972.

Nevertheless, between 1965 and 1971, coal production increased by only 40 million tons; productivity increased by only one-half ton per man-day; and the f.o.b. mine value increased by $2.63 per ton. Major changes in these trends occurred in 1970 and 1971.

The picture for underground mines, the principal source of low-sulfur coal in the eastern United States, is even more discouraging. Between 1965 and 1971, underground mines production decreased by 57 million tons; productivity decreased by 2.0 tons per man-day, or 17 percent; and the average f.o.b. mine value increased by $3.94 per ton, or 80 percent.

Between 1971 and 1972 total coal production increased by 38 million tons (roughly equivalent to the tonnage lost in the 1971 strike), 30 million tons of which came from underground mines. In 1972 the average value per ton of all coal increased by 46 cents, and there are preliminary indications that productivity continued to decrease at underground mines.

Coal production to date in 1973 is lagging production in the same period of 1972 by about 7 percent.

The full implementation of pending air pollution regulations by each of the States in 1975, and the enactment of overly restrictive Federal legislation on surface mine regulations in the near future could have a significant adverse impact on the needed expansion of coal production.

In view of these and other developments, hardly enough new coal productive capacity has been added in recent years to offset depleted capacity.

It is apparent that immediate remedial actions must be taken by Government and industry if coal is to play a significant role in the future energy picture.

B. Other Fuels

Over 90 percent of the increase in U.S. energy consumption between 1965 and 1971 was supplied by oil and natural gas. The consumption of natural gas increased by 42 percent and petroleum by 32 percent. Low-sulfur fuel oils comprised about one half of the increase in oil consumption. On a Btu basis, coal consumption increased by less than 2 percent.

III. Forecasts of Energy Consumption

The "most probable" energy consumption patterns up to the year 2000 were recently forecast by the Department of the Interior.

The forecast was based on a variety of forecasting techniques and personal judgments of energy specialists in the Department of

the Interior. The projections for overall energy consumption differ but little from other forecasts. But, because supply constraints for each energy source were considered, the forecast does differ somewhat from others in the energy mix. It is in this respect a consumption rather than a demand forecast.

Although there may be disagreement as to many of the assumptions used, they are spelled out in the report, thus providing a guideline from which changes can be made as future developments occur. Some of the more critical assumptions for each energy source are as follows:

1. Problems of sulfur emissions from coal usage will be solved by 1980, and from that period on coal would be environmentally acceptable.
2. Production from surface mines will not be materially affected by legislation.
3. The capital necessary to open new mines will be forthcoming.
4. Price increases for natural gas will be sufficient to develop additional domestic supplies, and will make liquefied natural gas and synthetic gas economically feasible in some areas.
5. Alaskan North Slope petroleum will merely offset most of the loss from current domestic sources. Between now and 1980, supplemental supplies must come either in the form of imported oil from foreign sources or incremental production from conventional domestic sources, both onshore and offshore, to the extent that it may be available

through increased discoveries of new reserves. The proportion which each of these sources will contribute is dependent primarily upon Government policies, environmental restraints and economic conditions during this period.

Beyond 1980, supplemental petroleum supplies will come not only from these sources but also from such non-conventional sources as oil shale, tar sands, and coal liquefaction.

6. Atomic Energy Commission projections for nuclear power will be realized.

Since our principal concern is for the intermediate period, let's see, in Table 1, what we have to look forward to in 1985.

Table 1. U.S. Energy Consumption by Energy Source, 1971 and 1985[1/]
(In Quadrillion Btu's)

Energy Source	1971[2/]	1985[3/]	Percent Increase, 1985 over 1971
Coal	12.1	21.5	77.7
Petroleum	30.6	50.7	65.7
Natural Gas	22.8	28.4	24.6
Nuclear Power	0.4	11.8	2,850.0
Hydropower	2.9	4.3	48.3
	68.7[4/]	116.6[4/]	69.7

1/ "United States Energy Through the Year 2000." U.S. Dept. of the Interior.
2/ Actual (revised).
3/ Forecast.
4/ Does not add to total because of rounding.

Conventional fuels (coal, oil and natural gas) should account for 86 percent of energy consumption in 1985. Consumption of petroleum will increase by about 66 percent. In this intermediate period, nearly all of the increase in petroleum requirements will have to be met from foreign sources and most of the increase will come from the Middle East. It is expected that petroleum imports will account for more than 50 percent of our total petroleum requirements in 1985.

Consumption of natural gas in 1985 is projected to be about 25 percent higher than it was in 1971. Of this total increase in supply, most would come from pipeline imports principally from Canada. The rest of the increase would come from synthetic gas converted from domestic coal and from the importation of liquefied natural gas. Total imports of natural gas in 1985 would represent 19 percent of the natural gas supply.

The demand for coal in 1985 would be nearly 1 billion tons, or 78 percent above 1971 demand. All of the increase would come from domestic sources.

Summarizing the Interior energy forecast, the consumption of each energy source will increase by 1985. The only projected potential for significant domestic energy resources increases, however, is for coal and nuclear power. Modest increases are forecast for gas in the form of synthetic gas. To the extent that supplies of these sources fall short, the shortages must be made up essentially

of an even higher level of imported fuels, primarily of crude oil and petroleum products.

Beyord 1985 we should have additional options for meeting our growing energy demands. The nuclear breeder reactor, improved methods of producing and utilizing conventional and nonconventional fuels, processes for the conversion of coal and oil shale to liquid and gaseous fuels, and geothermal energy should all be commercially feasible in the latter part of this century. Also, new procedures and systems for conserving energy should be available by then. Thereafter, some of the more exotic sources--thermonuclear fusion, solar energy, etc.--should provide additional options for meeting our energy requirements.

IV. Significance of the Energy Forecast

The fuel supply pattern is fairly well established for the next few years: We simply will have to depend on foreign oil to meet most new energy requirements while we try to get our domestic supplies in better order. For the intermediate term--1976 to 1985--we will necessarily continue to import increasing amounts of foreign oil, and we could be dependent on it to supply over half of our 1985 oil demand.

Most of the projected increase in oil consumption to 1985 must be met with oil from the politically insecure Middle East. Last year oil imports accounted for about two-thirds of our $6.5 billion trade deficit. By 1985, even if the projected estimate for coal is attained,

we would still have to import oil and gas at a value of more than $25 billion--representing a formidable negative factor in our balance of trade.

To give some idea as to the magnitude of the problem, coal production of about 2 billion tons would be required in 1985 to keep oil and gas imports at a current level of about $6 billion.

At the other extreme, if actions are not taken immediately to overcome environmental and supply impediments, current coal production levels could be cut by one-third to one-half. To the extent that such actions are delayed further, say, for 5 years, it would not be unreasonable to expect a trade deficit in fuels in 1985 of $30 billion to $35 billion instead of the aforementioned projected deficit of over $25 billion.

To attain a coal production level of 1 billion tons in 1985 would require the development of new capacity, including the replacement of depleted capacity, at the rate of about 50 million tons per year. This would require an investment in new coal mines of $10 billion or more, and a net addition to the work force by 1985 of from 120,000 to 150,000 men, depending on productivity trends.

It is apparent that a capacity of this magnitude and cost will be developed only with assurance of a market for the preponderance of planned output at a reasonable return on investments. Provided such assurance is granted, it is believed the coal industry will be able to solve its supply problems as it has in the past. It is believed also that, given such coal market assurance, the mining

equipment, transportation, and other segments of industry so important to the coal industry will be able to supply the facilities needed to mine and move coal to market.

V. Summary

In summary, coal has the potential for offsetting a substantial portion of projected imports of foreign fuels. The advantages to the economy and the national security of greater reliance on domestically available coal are considerable. Deterrents to increasing coal's role, principally with respect to uncertainties of near-term environmental requirements, however, have discouraged development of needed new mine capacity. Unless most of these deterrents are overcome within a few years, there will be little or no growth, and possibly some decreases, in coal availability by 1985.

A relaxation or extension of effective dates of environmental requirements and the investment of some $10 billion for new coal mines by the private sector will be necessary to keep the expected 1985 trade deficit from imported fuels to a minimum of $25 billion in that year.

Failure to develop productive capacity above today's levels by 1985 would further increase our dependence on foreign fuels to $30 billion to $35 billion.

To keep that portion of the balance of trade deficit caused by fuel imports at current levels, and thus assure minimum reliance on foreign fuels, would require coal production of about 2 billion tons in 1985 and a capital investment of some $20 billion.

P. O. Box 5482
Denver, Colorado 80217

AIRMAIL

November 13, 1973

Mr. Grant C. Vietsch, President
Railway Systems and Management Association
181 Lake Shore Drive
Chicago, Illinois 60611

Dear Grant:

In reply to your letter of October 19, 1973 and, more particularly, in answer to your succinct reminder of November 6, copy attached for your edification, herewith is the result of my literary effort.

Frankly, I sound a hell of a lot better when you ghost it for me as you did the one on unit train operations in 1967. The elephant hath laboured mightily and hath brought forth a mouse.

Use what you can. Cut, hack, chop or substitute as you will. Bull is bull no matter how its processed and my ego will survive nicely.

I'm still trying to secure the company equipment to be issued to future chairmen of RSMA sessions and hope to have it in your hands soon.

I want to thank you again for allowing me to chair the session. It was a pleasure and, until the last 24 hours when I finally had to go to work to produce the attached, I thoroughly enjoyed it. You put together an excellent program and not even you suspected its timeliness.

Sincerely,

J. E. Timberlake
Director Unit Train Operation

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J. E. Timberlake
Director Unit Train Operation

JET:

Grant Vietch says Get off of your G.D.A. & Get your preface in for the Book being written on the Coal Seminar.

They want to print quickly. Because they have an advance order for 1,000 copies over and above the usual.

HJM - 1:30 pm
11-6-73

PROPOSED FOREWARD
TO RSMA'S REPORT
ON
RAILROADS AND THE TRANSPORTATION OF COAL

By
J. E. Timberlake, Chairman

In the years since 1967 when RSMA last held a session on coal, the railroads, and unit train operations, the unit train, along with its financial, marketing, and operating techniques and strategies, has experienced a substantial but hardly spectacular growth. Full acceptance and implementation of the concept, itself nothing more than a common sense fusion of normal business analysis and existing railroad capabilities, simmered fairly quietly on the back burner because no urgent need for it appeared in the market place.

Though the concept is certainly applicable to other commodities besides coal, coal has been the basic and still is, by far, the major potential market for the trains. During the same period, however, the coal industry was bedeviled by its own problems in the production, regulatory, and, particularly in the marketing areas. In coal's major non metallurgical market, utilities, nuclear power was touted by one and all as the glamor energy of the future. The utility industry, aided and abetted by a government with atoms in its eyes, put its money where the government's mouth was, consigned coal to the scrap heap and turned to natural gas and imported oil while it awaited the day of the atom.

Meanwhile, a few unsung and unhonored energy and fuels experts from the academic community were pushing source, consumption, and demand curve numbers around. They began to warn of a potential world-wide energy shortage. Their warnings were unheeded. Both the coal industry and the railroads needed to serve it were allowed to decline. Coal research and development programs were inadequately staffed and funded because a sick industry needed most of the money it could generate just to stay alive. Uncle Sam kept his bets on the atom.

Today our nuclear powered future is suffering from the unforseen delays inherent in the large scale application of any new technology; environmental considerations followed inevitably by restrictions have leaped to the fore; the Arab nations have first comprehended and then acted upon the political implications of their control of the free world's major known oil reserves; and the United States has been unexpectedly and rudely

awakened to the fact that it faces an energy crunch. Consequently coal has suddenly become the potential national savior. We assume, of course, that we can get the coal out of the ground, transport it, turn it into electric energy, into heat, synthesize it into chemical feed stocks to replace many petroleum-based ones, and fuel our transportation system with coal-based derivatives - all without unduly encroaching upon or ruining our environment.

All of this can be done and at some cost. The question, however, is, can this be accomplished rapidly enough to prevent national disaster? If the implications, ramifications, and emeninency of the energy shortage were not fully appreciated by the country in June when our RSMA session was held, it most certainly is now - only four months later.

Sections of this report tell us how we got ourselves into this distressing position and address themselves both to the immediate and longer term general outlook. Other sections suggest possibilities for extracting ourselves from the mess. Most sections focus on particular aspects of the problem from the railroad viewpoint or within the railroad context. Some sections emphasize the opportunity, indeed the duty, we railroaders have to help pull the fat out of the fire and, further, discuss ways by which the railroads can help alleviate the situation.

And so the unit train, heretofore an answer in search of a question, hopefully will now emerge, along with coal, as the hero of the day and times (Though a wary eye must always be kept on the competition - pipelines, waterways, etc.). However, the unit train will not automatically so emerge unless we in the railroad industry devote the necessary effort to further develop it, overcome the particular problems it creates, and market it against developing alternatives. Parts of the report remind us of this.

Our railroads will be hard pressed to handle a rapid build up of unit train and general coal business even if we start now. The traditional coal haulers in the east, with but few exceptions, are caught with depleted and worn out locomotive and car fleets and with badly deteriorated trackage. Most lines have little or no money to do anything about it, and, as of now, no longer have a large number of prosperous mines operating to support rehabilitation of their physical plant and equipment fleets.

The southern and southeastern roads are in much better physical shape to handle existing and new coal business. Their major problem will be whether or not the locomotive and car builders can turn out equipment fast enough to keep up with demand.

The western coal carriers face some different problems. Though their main line capacity and physical track condition may be adequate for the moment to stand a fair increase in unit train business, many of their existing coal handling branches are not. These must be massively rehabilitated. Further, environmental regulations and requirements are hindering efforts to build new or extend existing lines into newly developing or potential coal fields - even when the economic incentives and resources to do so are available.

Like the rest of the country's railroads, the western lines also face the common problem of securing the locomotives and cars with which to build their unit trains.

In addition to meeting the equipment crunch, all carriers, regardless of territory, must overcome two other potential road blocks. The ties, rail and other track material, needed by all regions for rehabilitation and extension or new construction, are already in short supply. Obtaining the diesel fuel to run our existing trains, much less operate new ones, is rapidly developing into a critical problem for all of us.

Though the report does not deal with these problems, nevertheless the reader should be cognizant of them. They are obstacles which the railroads must overcome if the carriers are to do their part in restoring King Coal to his throne.

The railroads and the coal industry are accompanying the country into a totally new era; a peacetime energy crisis, probably of prolonged duration, caused by our own and world-wide prosperity. This new critical period is unlike those of the past in that both the railroads and coal industry enter this one with little or no excess capacity which can rapidly be brought on line. We are literally starting from scratch.

November 13, 1973

Railroads & the Transptn of Coal

Papers

1 The importance of coal in the context of the nations overall economic & nrg requirements - US Off of Fuels & NRG

2 RR's - the logistical arm of the coal indy - NCA Bagge

3 The Economics of coal Production - Cont'l Ill Natl Bank

4 Rgnl diffs in the coal Transptn Mkt

East - Wooters B&LE

Central - Gobrecht L&N

West - Powe - BN

5 The Mkts for Coal

Primary - Forbes N&W

Secondary - OCR - Chief

6 Economics of Rail Transport of Coal

Unit Train Ownership & Economics in the expansion of Coal Mkts - SOU

Role of Coal Revenues & Costs in reducing Variations in the rail profit pattern - Boyce BN

Total System and Role of the Unit Train < Sword Peterson

7 Competition for rail transport of Coal

Water - ACBL

Pipe Slurrypac

8 competition of other Fuels - ADL

9 Computer application to Coal production

10 New Technological Dvlpts affecting the Transptn of Coal

Orbner - Sanford White

Beattel - YUK

Forewarn

In the years
Since RSMA's 1967 program on unit trains
the unit trains itself, its operating
operations, the techniques and the associated financial and marketing
strategies have continued a steady but relatively
slowly accelerating growth. Full acceptance and implementation of the
concept, itself
nothing more than a common sense application of existing
railroad capabilities, simmered along on the
back burner awaited the impetus
because there seemed to be no urgent
general need in the marketplace for it. Though the concept seemed
applicable to other commodities besides coal, coal was the basic
and largest potential market for it. During this period, however,
the coal industry itself was
bedeviled with its own marketing problems. Nuclear power was the glamor
energy of the future with natural gas and imported oil taking up the
intermediate slack.

As nuclear power suffered from the unforseen delays of any new
technology, as environmental considerations and restrictions reaped to the
fore, and as the Arabs began to comprehend the political implications of
their control of the free world's major known oil reserves, the
United States has suddenly awakened to the fact that
it faces an energy crunch. Though unsung and unheeded experts
had been sounding warnings for years about a potential energy shortage, many were
unheeded. The coal industry along with the railroads needed to serve it was
allowed to decline.
Coal research was inadequately funded because a sick industry needed all its money to
stay alive. Uncle Sam had alarms in his eyes!

Thus coal has suddenly become the
potential national savior — provided, of course, we can get it out of the ground,
and transport it, and transform it into electric energy, heat, synthesize it into formerly petro based chemicals,
synthetic petro chemicals,
and fuel our transportation systems with its derivatives — all without unduly ruining the

environment. The question is can this be accomplished within a short enough time frame to prevent national disaster?

~~A crash basis~~ Sections of this report ~~Some of the reports herein address themselves to~~ reviews ~~and define~~ how we got ourselves into this position and ~~how~~ address ~~itself~~ both to the immediate and ~~long~~ longer term general outlook. Others are somewhat more specific as to what we must do ~~to get out of it.~~ extricate ourselves from our present situation The remainder focus on the various aspects of the problem ~~in the railroad century, for the railroads, and the opportunities~~, indeed the duty, we have to help pull the fat out of the fire, and review and suggest ways by which the railroads can ~~contribute~~ help alleviate it.

Thus the unit train, heretofore an answer running around looking for a question to solve, will, hopefully, along with coal, ~~evidently~~ emerge as the hero of the day (though a wary eye must always be kept on the competition — pipelines, waterways, etc). But The unit train and its derivatives will not automatically so emerge unless we in the railroad industry devote the necessary effort to further develop it, overcome the particular problems it creates, and market it against emerging alternatives.

~~Further development of which the present situation also throws into high gear~~ Part of the report reminds us of this.

Start here

If we start now, we'll be hard-pressed to get the job done. The traditional eastern coal carriers, with but a few exceptions, are saddled with worn out locomotives and cars, ~~and~~ badly deteriorated trackage, have little or no money to do anything about it, and, as of now, no support ~~incentive~~ ~~for the potential~~ in the form of prosperous mines on which to base a rehabilitation of equipment their plant and fleets.

The southeastern and roads ~~lines~~ are in much better shape to handle existing and new coal business — provided the car and locomotive builders can turn out the equipment fast enough to keep up with demand.

The western coal carriers face a slightly different set of problems. Though their main line capacity and track condition may be

No support

numerous existing and

If the implications and summary of the energy section were not fully appreciated by the time the reader has reached this point in the report, it is because, as this is being written, four months later.

For the moment a fair increase in unit train business, many of the existing coal serving branches are not and must be massively rehabilitated. adequate to stand ~~a 50% increase in unit train business~~,

Further, environmental regulations and requirements are hindering ~~the environmentalists and the environmental regulations~~ their efforts ~~ability~~ to build new or ~~coal~~ extend existing ~~coal~~ railroads to serve, their suddenly economically developable coal fields - even when the economic incentives and resources ~~resources and incentives~~ to do so are available. ~~The Western lines too face problems in securing locomotives and cars to build the unit trains.~~

Like the rest of the country's railroads, ~~coal~~ eastern southern, and ~~anthracite~~, the western lines face the common problem of securing locomotives cars and cars to build their unit trains. In addition to equipment, all carriers, regardless of territory face ~~will face~~ at least two major critical problems. Ties, ~~and~~ rail and track hardware ~~fastenings~~ - needed by all regions for rehabilitation and for extension and new construction are already in short supply. Finally, the diesel fuel needed to operate any new trains is rapidly developing into a critical problem for all of us.

Though this report does ~~this paper found in this report do~~ not ~~address~~ address itself to the latter these problems specifically, nevertheless they should be kept in mind by those reading it. These are the things we must overcome if the railroads are to do their part in restoring King Coal to his rightful throne.

~~In summary, the critical problems of the past~~ railroads are comparable ~~to those~~ of the past, with ~~the~~ ~~exception~~ ~~of~~ ~~energy~~ ~~crisis~~ ~~brought~~ ~~on~~ ~~by~~ ~~the~~ ~~embargo~~ ~~and~~ ~~the~~ ~~resultant~~ ~~shortages~~ ~~of~~ ~~fuel~~ ~~and~~ ~~power~~. And the coal industry ~~is~~ ~~entering~~ ~~a~~ ~~period~~ ~~of~~ ~~prolonged~~ ~~duration~~, caused by prosperity around the world. Unlike ~~those~~ ~~periods~~ ~~of~~ ~~the~~ ~~past~~, ~~both~~ the coal and the railroads ~~industries~~ enter this one with little or no surplus capacity that can be rapidly put into production. We're almost starting from scratch.

JET:

Grant Vietch says Get off of your G.D.A. & Get your Preface in for the Book being Waitten on the Coal Seminar.

They want to Print Quickly. Because they have an Advance order for 1,000 Copies over and above the usual.

HJM - 1:30 PM
11-6-73

Grant C. Vietsch
President

RAILWAY SYSTEMS and MANAGEMENT ASSOCIATION / 181 lake shore drive / chicago, illinois 60611 / (312)—943-5542

October 19, 1973

Mr. J. E. Timberlake
Director Unit Train Operations
Denver and Rio Grande Western Railroad
P. O. Box 5482
Denver, Colorado 80217

Dear Jack:

I would appreciate your sending me, within the next two weeks, your forward for the Proceedings of our Coal meeting.

As soon as we receive this, we can turn over the manuscripts to the printer, and get the book out in the very near future.

With kind regards.

Sincerely,

GRANT C. VIETSCH

RAILWAY SYSTEMS and MANAGEMENT ASSOCIATION / 181 lake shore drive / chicago, illinois 60611 / (312)-943-5542

BIOGRAPHICAL SKETCH

J. E. TIMBERLAKE

John E. Timberlake is Director Unit Train Operations of the Denver & Rio Grande Western Railroad. A native of Pittsburgh, Pennsylvania, Timberlake began his railroad career during college as a clerk in the purchasing department of the Pennsylvania Railroad. He graduated from Princeton University in 1951 with a degree in economics. Upon graduation he started with the Rio Grande as a Switchman at Pueblo, Colorado. During his first term of service with the Rio Grande, Timberlake worked as a Switchman, Engine Foreman, briefly as a Steam Locomotive Fireman on the narrow gauge, and as a Traveling Car Agent.

After two years in the Army Transportation Corps, he joined the New York Central and served as an Assistant Industrial Engineer, Trainmaster, Transportation Engineer, Division Superintendent of the Chicago Junction and Chicago River & Indiana railroads, and finally as Superintendent of Yards and Terminals for the New York Central System. During the latter part of his service as Superintendent of Yards and Terminals, much of Timberlake's time was spent working with the Central's marketing and sales departments to develop the Central's first unit train operations.

In 1963, he left the Central to attend Harvard Business School from which he received his Master's degree in business administration in 1965. During this time Timberlake also served as a consultant for Arthur D. Little, Inc. in Cambridge, Massachusetts.

After graduation from Harvard, Timberlake returned to the Rio Grande as Market Director (Fuels and Minerals) and later as Market Director (Fuels). During this period he helped develop the Rio Grande's original unit train systems. He was appointed Division Superintendent of the Rio Grande's Colorado Division in February 1969. Timberlake was made Director Unit Train Operations in December 1970.

May 22, 1973

June 18, 1973

Dear Mr. Aydelott:

On behalf of RSMA I want you to know how much we appreciate the kindness of the Denver and Rio Grande Western Railroad in permitting Mr. J. E. Timberlake to participate in our recent seminar on "Railroads and the Transportation of Coal."

Mr. Timerlake's excellent chairmanship of the meeting certainly was a significant contribution to its success, and he is to be congratulated for a job well done! We hope you will express to him our heartfelt thanks, and that you will call upon us any time we can be of service to you or your railroad.

Sincerely,

GRANT C. VIETSCH

Mr. G. B. Aydelott, President
Denver and Rio Grande Western Railroad
Post Office Box 5412
Denver, Colorado 80217

June 18, 1973

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GRANT C. VIETSCH

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Denver, Colorado 80217

June 18, 1973

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GRANT C. VIETSCH

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Chief Transportation Officer
Denver and Rio Grande Western Railroad
Post Office Box 5412
Denver, Colorado 80217

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Sincerely,

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Denver and Rio Grande Western Railroad
Post Office Box 5412
Denver, Colorado 80217

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Denver, Colorado 80217

Grant C. Vietsch
President

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Sincerely,

GRANT C.VIETSCH

Mr. C. R. Lennig
Vice President-Traffic
Denver and Rio Grande Western Railroad
Post Office Box 5412
Denver, Colorado 80217

RAILWAY SYSTEMS and MANAGMENT ASSOCIATION / 181 lake shore drive / chicago, illinois 60611 / (312)-943-5342

June 18, 1973

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Denver and Rio Grande Western Railroad
Post Office Box 5412
Denver, Colorado 80217

RAILWAY SYSTEMS and MANAGMENT ASSOCIATION / 181 lake shore drive / chicago, illinois 60611 / (312)—943-5542

RAILWAY SYSTEMS and MANAGEMENT ASSOCIATION / 181 Ida Ahre drive / chicago, illinois 60611 / (312)-943-3542

Grant C. Vietsch
President

RAILWAY SYSTEMS and MANAGMENT ASSOCIATION / 181 lake shore drive / chicago, illinois 60611 / (312)—943-5542

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Denver and Rio Grande Western Railroad
Post Office Box 5412
Denver, Colorado 80217

RAILWAY SYSTEMS and MANAGMENT ASSOCIATION / 181 lake shore drive / chicago, illinois 60611 / (312)—943-5542

RAILWAY SYSTEMS and MANAGEMENT ASSOCIATION / 181 Ida Shore drive / Chicago, Illinois 60611 / (312)-943-5547

Grant C. Vietsch
President

RAILWAY SYSTEMS and MANAGMENT ASSOCIATION / 181 lake shore drive / chicago, illinois 60611 / (312)—943-5542

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JET
Consider it
done -
DJB

Sincerely,

GRANT C. VIETSCH

Mr. D. J. Butters
Chief Transportation Officer
Denver and Rio Grande Western Railroad
Post Office Box 5412
Denver, Colorado 80217

RAILWAY SYSTEMS and MANAGEMENT ASSOCIATION / 181 Ida Rose drive / Lincoln, Illinois 60611 / (312)-943-5545

P. O. Box 5482
Denver, Colorado 80217

June 14, 1973

Mr. Grant C. Vietsch, President
Railway Systems & Management Association
181 Lake Shore Drive
Chicago, Illinois 60611

Dear Grant:

I just want to thank you again for granting me the signal honor of chairing the coal meeting. With the number of knowledgeable people available from which to choose, and with the number of biggies now in the business - e.g. BN, UP, Southern, L&N-both the Rio Grande and me, personally, were flattered and pleased by the opportunity.

Your choice of speakers and topics were singularly outstanding and the speakers really did their homework. Grant, it really was an excellent meeting and you deserve all sorts of credit, which you won't get of course, for organizing and putting together such a fine program. If you were to poll the attendees, I honestly doubt that any of them could or would comment other than favorably or enthusiastically both as to the meeting's contents and value.

Thanks again for giving me the choice job - you and the speakers do all the work, I get all the fun and bask in reflected glory.

I am gathering the real artifacts needed for future chairmen of those RSMA sessions which will be led by and/or attended by working railroad operating men. It may take some time, but RSMA will have them.

Sincerely,

J. E. Timberlake
Director Unit Train Operations

P. O. Box 5482
Denver, Colorado 80217

June 14, 1973

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181 Lake Shore Drive
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Sincerely,

J. E. Timberlake
Director Unit Train Operations

Grant C. Vietsch
President

SBA
WJH
DJB
CRL

ROW
Brake club
& Lamp

RSMA / 181 EAST LAKE SHORE DRIVE / CHICAGO, ILLINOIS 60611 / Area 312—943-5542

RAILWAY SYSTEMS and MANAGMENT ASSOCIATION / 181 lake shore drive / chicago, illinois 60611 / (312)—943-5542

June 11, 1973

Dear Jack:

On behalf of RSMA and its Governing Board, I want to thank you for your participation in our seminar on "Railroads and the Transportation of Coal."

Your excellent chairmanship was certainly a great contribution to the success of the meeting, and you are to be congratulated for a job well done!

We deeply appreciate your efforts on our behalf, and we hope you will call on us any time we can be of service to you or your company.

Sincerely,

GRANT C. VIETSCH

Mr. J. E. Timberlake
Director of Unit Train Operations
Denver & Rio Grande Western Railroad
P. O. Box 5482
Denver, Colorado 80217

RSMA / 181 EAST LAKE SHORE DRIVE / CHICAGO, ILLINOIS 60611 / Area 312-943-5542

May 4, 1973

SPEAKER: *Mr. J. E. Timberlake*

TOPIC: *Chairman*

We are happy that you will be a speaker at our meeting on "Railroads and the Transportation of Coal, to be held at the Drake Hotel in Chicago, June 7-8, 1973. Of course there is no registration fee for the speakers, and we hope you will be able to stay for the entire meeting.

In order that we may help in your presentation in every way possible, would you complete the enclosed form and return it to us. We will also need a brief biographical sketch, and would appreciate receiving both of these items by May 23, 1973.

A recorder will take the speakers' remarks for the Meeting Proceedings. However, he works more accurately when he has a copy of the talks. The trade papers may also want copies of the talks, and may write to you for copies of yours. We have no objection to your complying with these requests, but you are under no obligation to do so.

If you need visual aids or special equipment, please let us know your requirements.

Copies of the program are enclosed for your use. Please call on us if we can serve you in any way.

Sincerely,

GRANT C. VIETSCH
President

Biography
Ref last chair
& Who's Who

RSMA / 181 EAST LAKE SHORE DRIVE / CHICAGO, ILLINOIS 60611 / Area 312—943-5542

April 25, 1973

Dear *Jack*:

If you have received a copy of the enclosed announcement of our seminar on "A National Freight Car Pool," you might have wondered about the listing under "Coming Events" of the meeting on "Railroads and the Transportation of Coal." For some unknown reason, the date shown is May 7-8, whereas the true date is June 7-8, 1973.

We certainly look forward to your presentation at the seminar on "Railroads and the Transportation of Coal" on JUNE 7-8 at the Drake Hotel.

Within the next week we will be in touch with you with copies of the program and mechanical details of the meeting to be held on JUNE 7-8. We hope that seeing the May date was not too disconcerting.

Sincerely,

GRANT C. VIETSCH
President

Mr. J. E. Timberlake
Director Unit Train Operations
Denver and Rio Grande Western Railroad
P. O. Box 5482
Denver, Colorado 80217

RAILROADS and the Transportation of COAL

"A Market in Hand"

RSMA

June 7-8, 1973

The Drake

CHICAGO, ILLINOIS

RAILWAY SYSTEMS AND MANAGEMENT ASSOCIATION
181 EAST LAKE SHORE DRIVE • CHICAGO, ILLINOIS 60611 • TEL. 312—943-5542

Please register the following for the RSMA event shown below

NAME_____

POSITION_____

COMPANY_____

STREET_____

CITY_____ STATE_____ ZIP CODE_____

RSMA SEMINAR No. _____ DATES_____

TITLE_____

NOTE: The difference between member and non-member registration fee may be applied towards RSMA membership fee, *provided*, application for RSMA membership is made within 30 days following meeting.

DRAKE HOTEL ROOM REQUEST

ARRIVAL_____ TIME_____

DEPART_____ TIME_____

RESERVE:____ SINGLE @ **$24 - $27 - $2**
(circle)

____ TWIN @ **$32 - $35 - $3**
(circle)

REGISTRATION FEE

RSMA MEMBER **$75.0**

NON-MEMBER **$90.0**

REGISTRATION INFORMATION

REGISTRATION: Attendance is open to non-members as well as members of RSMA. Registrations must be made prior to the meeting date. To register, fill out and return the blank, or you may wire or phone the RSMA office.

REGISTRATION FEES: The full fee is payable in advance and includes the cost of all luncheons, notebook, and session materials.

HOTEL ACCOMMODATIONS: The Drake Hotel has established special rates for RSMA seminar registrants. Hotel reservations should be made directly with the hotel of your choice, or you may use the special space provided on the registration blank and RSMA will make your hotel reservations for you at the Drake Hotel.

PLEASE NOTE: RSMA occasionally uses outside mailing lists which cannot be cross-checked against its files. Therefore, you may receive a duplicate of this announcement. If so, we hope you will pass it along to an interested associate.

MONEY-SAVING COMBINATION

Sept. 12-13 Railroad Electrification
(Open Date) Management of Transportation Safety
(Open Date) Railroad Market Planning
(Open Date) Railroad Research

OUR POLICY

If, after attending the complete meeting, you feel that you personally did not get at least one new idea, RSMA will gladly refund your full registration fee.

RAILWAY SYSTEMS AND MANAGEMENT ASSOCIATION
181 EAST LAKE SHORE DRIVE • CHICAGO, ILLINOIS 60611 • TEL. 312—943-5542

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REGISTRATION FEE

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RAILROADS AND THE TRANSPORTATION OF COAL

RSMA No. 602 **June 7-8, 1973** **Drake Hotel, Chicago**

The energy predicament has created a climate for the resurgence of coal as a primary fuel to meet this nation's energy needs. It is the only fuel available to fill the gap between the demand for energy, and the supply of natural gas, oil, and nuclear power. Since the total coal resource base is nearly 800 billion tons—enough to last 1,500 years at the current rate of consumption—coal is one of the greatest potential markets left to the rail industry. If for no other reason, the United States balance-of-payments will dictate its use.

This meeting has been designed to acquaint railroad management with the economics, market, and technology of coal transportation; and the competition for coal transport.

Program

CHAIRMAN: Mr. J. E. Timberlake
Director Unit Train Operations
Denver and Rio Grande Western Railroad

Thursday, June 7

8:30 Registration

10:00 "THE IMPORTANCE OF COAL IN THE CONTEXT OF THE NATION'S OVERALL ECONOMIC AND ENERGY REQUIREMENTS"

Mr. George M. Bennsky
Acting Director
Office of Fuels and Energy
United States Department of State

10:45 "RAILROADS – THE LOGISTICAL ARM OF THE COAL INDUSTRY"

Mr. Carl E. Bagge
President
National Coal Association

11:30 "THE ECONOMICS OF COAL PRODUCTION"

Mr. W. W. Wilson
Vice President
Continental Illinois National
Bank and Trust Company

12:15 Luncheon

"MODERN RAILROADS MAGAZINE GOLDEN FREIGHT CAR AWARD FOR EXCELLENCE IN MARKETING"

2:00 "REGIONAL DIFFERENCES IN THE COAL TRANSPORTATION MARKET"

Eastern: Mr. Robert B. Wooters
Director of Marketing
Bessemer and Lake Erie Railroad

Central: Mr. Jerry E. Golbrecht
Vice President-Coal Traffic
Louisville and Nashville Railroad

Western: Mr. George R. Powe
AVP Commodity Marketing
Marketing Dept.-Energy, Metallics & Chemicals
Burlington Northern, Inc.

3:30 Coffee Break

3:45 "THE MARKETS FOR COAL"

Primary: Mr. L. T. Forbes
Vice President Coal Traffic
Norfolk and Western Railway

Secondary: Mr. Neal P. Cochran
Chief-Research & Development Division
Office of Coal Research
Department of the Interior

5:00 Recess for the Day

5:30 to 7:00 "GOLDEN FREIGHT CAR" Award Reception

Friday, June 8

8:30 "THE ECONOMICS OF RAIL TRANSPORT OF COAL"

"Unit Train Ownership and Economics in the Expansion of Coal Markets"

Mr. Robert N. Morris
Market Manager-Fuels
Southern Railway System

"Role of Coal Revenues and Costs in Reducing Variations in the rail profit pattern."

Mr. Allan R. Boyce
Director of Cost Control
Marketing Dept.-Energy, Metallics & Chemicals
Burlington Northern, Inc.

"The Total System and the Role of the Unit Train."

Mr. John D. Sward
Transportation Systems Analyst
Physical Distribution Department
Pullman Incorporated

Mr. T. D. Peterson
Manager of Energy Systems
F. C. Torkelson, Subsidiary of
Pullman Incorporated

11:00 "COMPETITION FOR RAIL TRANSPORT OF COAL"

"Water Competition"

Mr. Louis H. Meece
Vice President
American Commercial Barge Line

"Pipeline Competition"

Dr. Donald A. Craw
General Manager
ShelPac Research and Development, Ltd.

12:00 Luncheon

1:00 "COMPETITION OF OTHER FUELS"

Mr. James T. Jensen
Senior Staff Member
Arthur D. Little, Inc.

1:45 "APPLICATION OF THE COMPUTER TO COAL PRODUCTION"

Mr. L. M. Kaas
Industry Marketing Representative
IBM Corporation

2:15 "NEW TECHNOLOGICAL DEVELOPMENTS AFFECTING THE TRANSPORTATION OF COAL"

Mr. Henry E. Keniston
Vice President
Ortner Freight Car Company

Mr. Kirkendall Carlton
Bechtel Corporation

3:15 Adjourn Meeting

Grant C. Vietsch
President

RAILWAY SYSTEMS and MANAGMENT ASSOCIATION / 181 lake shore drive / chicago, illinois 60611 / (312)—943-5542

March 22, 1973

Mr. J. E. Timberlake
Director Unit Train Operations
Denver and Rio Grande Western Railroad
P. O. Box 5482
Denver, Colorado 80217

Dear Jack:

We are delighted that you will serve as Chairman of our forthcoming meeting on "Railroads and the Transportation of Coal," to be held in Chicago, June 7-8, 1973.

In a few weeks we will be in touch with you with copies of the printed program and mechanical details of the meeting. In the meantime, if there are any questions or if we can be of assistance in any way, please let us know.

Sincerely,

GRANT C. VIETSCH

Rio Grande
THE DENVER AND RIO GRANDE WESTERN RAILROAD COMPANY

TRANSPORTATION DEPARTMENT

P. O. BOX 5482

DENVER, COLORADO 80217

March 20, 1973

Mr. Grant Vietsch
President
Railway Systems and Management Association
181 East Lake Shore Drive
Chicago, Illinois 60611

Dear Grant:

Many thanks for inviting me to chair the RSMA meeting on "Railroads and the Transportation of Coal" June 7-8 in Chicago. I am flattered to be asked to do so and I accept.

The Rio Grande needs a little exposure again if only to remind people that we serve fields having the highest quality coal in the west.

Your proposed subject outline is excellent. I only hope you can come up with the guys to prepare papers on all or most of them. With the energy crisis now a reality, the meeting should be well attended. Assume it will be held at the Playboy Club to insure maximum attendance.

On your recommendation, I bought Ridgeway's, The Last Play. Since Ridgeway's credentials include that of former editor of The New Republic, and based on my reading of the first chapter, you'll excuse my viewing his selection and presentation of the "facts" and the conclusions he draws therefrom with some skepticism.

Thanks again.

Sincerely yours,

Jack

J. E. Timberlake
Director Unit Train Operations

bcc: WJH: Atts.
CRL: "
DJB: "

bcc: WJH: Attys.
CRL: "
DJB: "

RAILWAY SYSTEMS AND MANAGEMENT ASSOCIATION
181 EAST LAKE SHORE DRIVE • CHICAGO, ILLINOIS 60611 • (312) 943-5542

March 14, 1973

Mr. John E. Timberlake
Director Unit Train Operations
Denver and Rio Grande Western Railroad
Post Office Box 5482
Denver, Colorado 80217

Dear Jack:

We would consider it an honor if you would consent to serve as the Chairman of our forthcoming meeting on "Railroads and the Transportation of Coal," to be held in Chicago on June 7-8, 1973. A preliminary topical outline is enclosed.

We believe that this will be an outstanding program, and certainly hope that you will be able to accept this assignment. Because of the time involved in printing the program and publicizing the meeting, we would appreciate your affirmative reply by March 23, 1973.

Enclosed is a sheet answering some questions relative to the meeting. However, if there are other questions, please call upon us.

We look forward to your participation in this meeting.

Sincerely,

GRANT C. VIETSCH
President

RAILROADS AND THE TRANSPORTATION OF COAL

RSMA #602

June 7-8, 1973

The energy crisis has created a climate for the resurgence of coal as a primary fuel to meet this nation's energy needs. It is the only fuel available to fill the gap between the demand for energy and the supply of natural gas, oil, and nuclear power. It exists in untold quantities throughout the United States and Canada, making it one of the greatest potential markets left to the rail industry. If for no other reason, the United States balance-of-payments will dictate it.

This meeting has been designed to acquaint railroad management with the economics, market, and technology of coal transportation; the competition for coal transport; and the problems inherent in the use of coal as a primary energy source.

PRELIMINARY TOPICAL OUTLINE

1. THE IMPORTANCE OF COAL IN THE CONTEXT OF THE NATION'S OVERALL ECONOMIC AND ENERGY REQUIREMENTS:

   Balance of payments

   Conservation of resources

2. THE ECONOMICS OF COAL PRODUCTION:

   Economic geology

   Capital requirements

   Use of computer in engineering, geology, and land management

3. REGIONAL DIFFERENCE IN THE COAL TRANSPORTATION MARKET:

   Eastern Region

   Central Region

   Western Region

4. THE MARKETS FOR COAL:

   Primary markets (steam, metallurgical, export)

   Secondary markets (gas, chemicals, etc.)

5. THE ECONOMICS OF RAIL TRANSPORT OF COAL:

   Rates and service (single car, multiple car, trainload)

   Role of Unit Train ownership and economics in the expansion of coal markets (total systems concept)

   Role of coal revenues in reducing variations in rail revenue patterns

6. NEW TECHNOLOGICAL DEVELOPMENTS AFFECTING THE TRANSPORTATION OF COAL:

   Railroad coal carrying equipment

   Facilities for loading, unloading, transhipping, blending, and weighing coal

   The effects of mine mouth conversion process on the future rail transportation market for coal

7. COMPETITION FOR RAIL TRANSPORT OF COAL:

   Water competition

   Pipeline competition

   Truck competition

8. COMPETITION OF OTHER FUELS:

   Petroleum and natural gas

   Atomic energy

   Hydro-electric and pumped storage developments

   Future energy technology

9. INSTITUTIONAL AND ENVIRONMENTAL FACTORS:

   Public interest groups (anti strip mining, etc.)

   Regulatory problems:

     Regulation of transport

     Regulation of utilities

     Environmental Protection Agency

RSMA SEMINAR ON "COAL MARKET FOR RAILROADS"
Fact Sheet

Audience: We would expect from 125-175 executives of railroads, plus representatives from government, banking, shippers, and others interested in rail transport.

Papers: It will not be necessary to prepare a paper for submission in advance of the meeting. We will take a stenographic report of the individual presentations. Each speaker is therefore free to speak from a prepared text, notes, or an outline as he sees fit. However, the reporter does work better from a prepared text, and trade publications would also appreciate copies of presentations to be made. Papers will be published in the RSMA Review, but before printing will be given to the individual speakers for their editing.

Visuals: Speakers may use any visual aids which they feel will enhance their presentations. The RSMA will provide all normal facilities such as slide, motion and/or overhead projectors for speakers' use.

Registration: There is, of course, no registration fee for the speakers, and they are encouraged to sit in on all or any part of the two-day meeting. Speakers are expected to pay their own travel and living expenses.

About RSMA: For those who may not be familiar with us: RSMA is a not-for-profit, independent, Association founded in 1952, and composed of individuals interested in promoting the continued welfare of the Railroad Industry. We do this through meetings such as this, a quarterly, the Railway Management Review, and numerous specialized publications.

RSMA members represent railroads throughout the Free World, plus individuals who are with companies allied with the Railroad Industry, such as shippers, bankers, government, etc. The Association is run by a Governing Board comprised of railroad officials representing roads throughout the United States and Canada. The current Chairman is Mr. Alan S. Boyd, President of the Illinois Central Gulf Railroad.

RSMA / 181 EAST LAKE SHORE DRIVE / CHICAGO, ILLINOIS 60611 / Area 312—943-5542

Information Letter

No. 2071, May 30, 1973

Stephen Ailes
President and Chief Executive Officer

ASSOCIATION OF AMERICAN RAILROADS
AMERICAN RAILROADS BUILDING, WASHINGTON, D. C. 20036

Penn Central Delays Work Rule Indefinitely

PHILADELPHIA – The Penn Central trustees have delayed indefinitely putting into effect a new work rule that would have reduced the size of train crews. The work rule had been postponed twice previously and was to have become effective June 9.

The railroad's trustees said the biggest factor in their decision was the probability that implementation of the change "would result in a strike by our employees" and the fact that the Penn Central's weak cash position would not allow the railroad to resume operations after such a strike.

April Freight Car Orders 2nd Highest Since Dec. '55

WASHINGTON – Orders for new and rebuilt freight cars in April totaled 14,006, second highest in a single month since December 1955 and topped since then only by the 19,606 cars ordered in April 1969, the AAR and the American Railway Car Institute reported.

For the first four months of 1973, a total of 34,132 cars have been ordered, compared with 13,309 for the first four months of last year and 50,387 for the entire year of 1972.

The 14,006 cars ordered in April compared with 5,488 in March and 2,867 in April a year ago.

The AAR and the ARCI reported that 13,894 of the new cars are to be built by car builders.

New and rebuilt freight cars placed in service in April totaled 4,067, down from 5,235 in March and 4,497 in April 1972.

As of May 1, the backlog of cars on order and undelivered totaled 37,014, compared with 18,630 cars on May 1, 1972, and 27,076 on April 1 of this year.

ICC Told Rate Boost More Imperative Now

WASHINGTON – Quick action on a railroad petition for a 5 percent rate increase is "even more imperative now than it was when the railroads' petition was filed more than a month ago," the Interstate Commerce Commission was told today.

In a closing statement filed in response to the comments of other interested parties in the case – designated Ex Parte No. 295 – the railroads cited first quarter 1973 financial results and the effect of an April 1 wage increase in asking the ICC to permit the general freight rate increase to become effective upon not less than 15 days' notice.

"Even if the Commission feels an extended investigation is warranted," the statement emphasized, "relief should not be withheld."

Refunds could then be made if lower rates were finally approved, but attorneys for the railroads noted that even some of those who oppose the proposed increase "acknowledge that the railroads have economic problems and a need for additional revenue."

Responding to assertions that earnings of Southern and Western railroads are at a 22-year high, the railroad attorneys pointed out that the 1972 earnings of these railroads produced almost exactly the same rates of return in 1972 as in 1952, although cash flow for the two districts combined increased by 47 percent over 1952.

"But whereas the cash flow of 1952 was equivalent to the purchase price of more than 104,000 new freight cars at 1952 prices, the greater cash flow of 1972 would have purchased only about 47,000 cars at 1972 prices, or less than one-half as many," the statement said.

The railroad attorneys conceded that financial results in the first quarter of 1973 were benefited

(Continued on Page 4)

DOT Submits Legislation On Northeast Railroads

WASHINGTON – The Department of Transportation has submitted legislation to Congress aimed at creating "one or more new privately owned rail systems. . .from the various systems now in bankruptcy."

The legislation, submitted by DOT Secretary Claude S. Brinegar, follow the lines of DOT proposals made on March 26.

Mr. Brinegar told a news conference that DOT will submit two other proposed bills to Congress soon. He said one will deal with "significant changes" in the system for economic regulation of railroads, while the other will contain suggested revisions of the procedures for reorganizing railroads under Section 77 of the Bankruptcy Act.

Under the proposed Northeast Railroad Restructuring Act of 1973, the DOT Secretary would designate a "Core Rail Service" within 90 days after enactment of the measure. The core service would identify geographic zones in the Northeastern United States within and between which rail service would be provided, as well as the minimum number of railroads that would provide the service.

The legislation would also authorize the establishment of a Northeast Railroad Corporation, which would prepare a plan identifying the rail lines it proposed to operate as well as the method of operation suggested for each service. In addition, it would negotiate agreements with bankrupt and other railroads for the acquisition of assets needed to provide the service.

The corporation would also negotiate agreements with employes it would hire, as well as debt financing for the corporation to provide working capital and capital for modernization and improvement of its system.

The bill would authorize the appropriation of $40 million to the corporation to meet its organizational expenses. No federal funds would be made available for capital or operating expenses, either on an interim or long term basis.

The bill would also set up a special procedure for rail abandonments, allowing bankrupt railroads to discontinue, after 60 days' notice, any service within a geographic zone for which no service is designated in the Core Rail Service Report.

Mr. Brinegar said the bill is designed "to provide a way out of the current rail crisis in the Northeast through the maximum use of the abilities and resources of the private sector."

Tierney Elected President Of Transportation Association

WASHINGTON – Paul J. Tierney has been elected president of the Transportation Association of America, to succeed Harold F. Hammond, who retires May 31.

Currently executive vice president and general counsel, Mr. Tierney joined the TAA in February 1970. Previously he served as a member of the Interstate Commerce Commission for seven years and as its chairman in 1968.

Mr. Hammond joined the association in 1955 as executive vice president and has been president since 1962. Prior to joining the TAA, he was manager of the Transportation and Communications Department of the U.S. Chamber of Commerce.

SCL, Clinchfield Terminate Tentative Acquisition Plan

JACKSONVILLE, Fla. – The Seaboard Coast Line and the Carolina, Clinchfield and Ohio have called off their plan for the SCL to acquire the Clinchfield through an exchange of stock.

Officials of the two railroads announced last December that they had opened discussions of the acquisition. An SCL unit now operates the Clinchfield under a long-term lease.

Southern To Add $10 Million To Capital Outlays Program

RICHMOND, Va. – The Southern has announced it will spend $10 million more for new plant and equipment this year than it announced originally.

In January, the railroad said it would spend $150 million on capital improvements this year.

W. Graham Claytor Jr., Southern president, said the new figure represents an increase of $47.6 million over the railroad's capital outlays last year and is nearly $20 million, or 13.9 percent, over the previous high for the railroad, set in 1971.

Feeney Appointed by WRA

CHICAGO – Joseph D. Feeney has been named general counsel for the Western Railroad Association. He succeeds Ed White, who retires May 31.

Mr. Feeney joined the WRA in 1950 and has been general solicitor since January 1970. Mr. White also came to the association in 1950. He became general counsel in January 1970.

Fuel Allocation Hearings To Be Held June 11-13

WASHINGTON – Public hearings on the Administration's proposed voluntary fuel allocation program will be held at the General Services Administration auditorium here June 11-13.

William E. Simon, Deputy Treasury Secretary and chairman of the Oil Policy Committee, said parties wishing to supply written testimony for the hearings must do so by 5 p.m. on June 7.

Earlier this month, the Administration called on the petroleum industry to adopt a voluntary system for allocating supplies to customers. Railroads and other freight and passenger transportation modes would be included among a suggested list of "priority customers."

The hearings will center around such matters as whether the voluntary program should be made mandatory, legal problems that could complicate compliance with the voluntary program, whether a special board should be established to handle complaints and what penalties, if any, could be imposed for non-compliance.

Court Gives B&M Authority To Lease 700 New Boxcars

BOSTON – The Boston and Maine has been given the authority by its reorganization court to lease 700 new boxcars.

The railroad entered into a 15-year agreement with the United States Railway Leasing Co. of Chicago for lease of the 50-foot cars, with first deliveries expected in September.

Officials of the B&M said the cars will not be used to retire any of the present fleet.

Freight Boxscore

	1973	1972	% Change
Cars Loaded	552,462	525,673	+5.1
Ton-mileage (billions):			
Week	16.9	15.6	+8.4
Year to date	317.9	294.1	+8.1

ICC Barred from Allowing Abandonments in New York

NEW YORK – A U.S. District Court judge here has temporarily barred the Interstate Commerce Commission from allowing any further railroad track abandonments in New York State in cases where the ICC has not issued an environmental impact statement prior to public hearings.

Judge Marvin E. Frankel directed the ICC to show cause by June 4 why a preliminary injunction should not be granted in the matter.

His order reversed, in part, a ruling handed down earlier in the same court, but by a different judge. That ruling denied a motion by the plaintiffs, which are headed by the Harlem Valley Transportation Association, for a temporary restraining order to block hearings on four track abandonment cases.

Judge Frankel said his order is aimed at maintaining "the status quo pending the determination of the present motion for a preliminary injunction, so that no irreparable damage will take place in the interim."

Forum on Rail Transport Of Coal Set for June 7-8

CHICAGO – A seminar on railroad transportation of coal will be held here June 7 and 8 under the sponsorship of the Railway Systems and Management Association.

Moderator of the program will be J. E. Timberlake, director of unit train operation for the Denver and Rio Grande Western.

Railroad speakers at the opening session will include Lawrence T. Forbes, vice president of coal traffic for the Norfolk and Western; Jerry E. Golbrecht, vice president of coal traffic for the Louisville and Nashville; George R. Powe, assistant vice president of commodity marketing, energy, metallics and chemicals for the Burlington Northern, and Robert B. Wooters, director of marketing for the Bessemer and Lake Erie.

Also speaking on June 7 will be Carl E. Bagge, president of the National Coal Association, and George M. Bennsky, acting director of the State Department's Office of Fuels and Energy.

Final-day speakers will include Allan R. Boyce, director of cost control in the BN's commodity marketing department, and Robert N. Morris, market manager of fuels for the Southern.

ICC Told Rate Boost More Imperative Now

(Continued from Page 1)
by the "highest volume of freight traffic ever experienced in a corresponding period," but focused attention on the fact that "nine-tenths of the resulting increase of $327 million in operating revenues (over the first quarter of 1972) was consumed by increased expenses and taxes," leaving only a $31 million increase in net operating income.

"Apparently even this small increase," the statement emphasized, "would not have been realized had not the railroads effected a reduction of about 2 percent in the level of employment."

Along with increased labor costs, the railroad attorneys cited increases in fuel prices "on a scale which indicates hundreds of million of dollars in added operating costs." Also, they said, unprecedented flooding along the Mississippi River and its tributaries will "have a depressing effect" upon the second quarter earnings of affected railroads.

The railroad statement also took issue with the contention, advanced by some, that the rate increase request should be denied because a major railroad, the Chessie System, is not an applicant.

The statement called this a competitive matter and cited a previous case in which the ICC had approved a rate increase in which the Southern was not an applicant. In addition, the attorneys said, denial on such grounds would give an individual carrier enormous power.

Turning to the subject of railroad service, the statement called the Commission's attention to recent improvements in car utilization, but said additions to the car fleet, modernized yards, improved track structures and expanded car information and control systems are required.

"Certainly it is illogical to expect the railroad industry to operate on substandard earnings for prolonged periods of time but nevertheless have in readiness surplus equipment to absorb major surges in traffic," the railroads warned.

Barnum Nominated by Nixon To Be DOT Under Secretary

WASHINGTON — President Nixon has nominated John W. Barnum to be Under Secretary of Transportation. Mr. Barnum has been DOT general counsel since May 1971.

Upon confirmation by the Senate, Mr. Barnum will succeed Egil Krogh Jr., who resigned earlier this month.

Stafford Urges Lower Speeds For Truckers To Save Fuel

TOPEKA, Kans. — The chairman of the Interstate Commerce Commission, George M. Stafford, has called upon truckers to reduce speeds in order to save fuel. He urged railroads to continue efforts they have already begun in this area.

Mr. Stafford said the "large units which are operated by most of the motor carriers regulated" by the ICC "could effect some substantial reductions in fuel consumption by voluntarily reducing speeds, say from 60 miles per hour to 50 miles per hour."

The estimated "savings in fuel," Mr. Stafford added, "would range from 20 to 25 percent."

Noting in his talk to the Traffic Club and NDTA Chapter of Topeka that "many railroads are already trying to work" on slowing down freight trains to save fuel, Mr. Stafford pointed out that "it presents a myriad of problems to them, particularly here in the Midwest where there has been so much traffic in grain."

The objective, he continued, "is worthwhile and I would urge the railroads to keep working at it."

In commenting on the freight car supply situation, Mr. Stafford noted that "there are peaks and valleys of demand for all types of transport and the railroad industry as a whole cannot afford to build a fleet large enough to handle every last shipment during peak demand."

Chessie System Expediting Grain Through Coal Facility

NEWPORT NEWS, Va. — The Chessie System is using its coal facilities here for loading grain into ships for movement overseas.

C&O/B&O officials said they have loaded 12 ships so far and another 16 are due to be loaded. The complete movement will involve some 115 trains, each carrying about 260,000 bushels.

About 12 million bushels of grain have been transported from the Midwest by the Chessie System so far, and officials said they expect to have moved about 30 million bushels by the normal end of the grain shipping season in June.

To move the grain in open top hoppers, the railroad developed special covers of plasticized fabric that are tied securely with rubber straps. The cars were prepared for carrying grain by cleaning with high pressure water jets and drying with acetylene flames. Their bottom hopper gates were sealed with plastic foam. The coal pier was also given a special water jet cleaning.

DELIVERY MISSOURI STATE ARCHIVES